



OFFICE OF  
**INSPECTOR GENERAL**  
U.S. DEPARTMENT OF THE INTERIOR

RECOVERY

# RECOVERY OVERSIGHT ADVISORY

Review of the Nature Conservancy's Claimed Costs



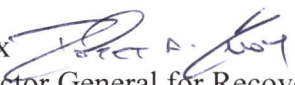
OFFICE OF  
**INSPECTOR GENERAL**  
U.S. DEPARTMENT OF THE INTERIOR

DEC 13 2011

Memorandum

To: Rhea S. Suh  
Assistant Secretary, Policy, Management and Budget

Through: Mary Pletcher  
Deputy Director, National Business Center

From: Robert A. Knox   
Assistant Inspector General for Recovery Oversight

Subject: Recovery Oversight Advisory – Review of The Nature Conservancy’s Claimed Costs  
Report No. RO-B-MOA-062-2011

This advisory, regarding the results of our review of costs claimed by the Nature Conservancy (TNC) under grants awarded by the U.S. Fish and Wildlife Service (FWS), is part of our ongoing effort to oversee and ensure the accountability of funding appropriated to the U.S. Department of the Interior (DOI) in the American Recovery and Reinvestment Act of 2009 (Recovery Act).

**Background**

The Nature Conservancy has 19 Recovery Act grants totaling \$1,405,340 as shown in Figure 1. Three projects have not started, four are less than 50 percent complete, four are more than 50 percent complete, and eight of the projects are completed. We reviewed claimed costs under the Recovery Act’s program grants in accordance with the Recovery Act and related regulations, FWS guidelines, and the terms of the grant agreements. We report only on those conditions that existed from the beginning of the awards to March 31, 2011. We performed this review to supplement the audits required by the Single Audit Act Amendments of 1996 and by Office of Management and Budget Circular A-133 (Single Audit).

We examined records and conducted review procedures as necessary. We examined the evidence that supports selected expenditures charged to the grants by TNC, examined evidence that supports selected expenditures charged to the indirect cost pool, reviewed indirect cost submittals for fiscal years (FY) 2010 and 2011, reviewed TNC’s cost estimating system, analyzed the budgets for each of the Recovery Act projects, and reviewed required “Federal Financial Reports” (Standard Form 425 (SF-425)) submitted by TNC for completed projects. The evidence obtained from our procedures provides a reasonable foundation for our findings and conclusions based on our review’s objectives.

<b>Award No.</b>	<b>Description</b>	<b>Place of Performance</b>	<b>Status</b>
30181RJ052	Invasive Woody Vegetation Removal at Pankratz Prairie Preserve	Crookston, MN	Not Started
30181RJ053	Wetland Prairie Habitat Restoration at Caribou Tract	Lancaster, MN	Not Started
30181RJ056	Invasive Woody Vegetation Removal at Pembina Trail Preserve	Crookston, MN	Not Started
30181RJ012	Tree and Brush Removal, and Invasive Species Control on the Thomas Tract	Barneveld, WI	Less Than 50% Completed
30181RJ054	Invasive woody vegetation removal at Agassiz Dunes Preserve	Fertile, MN	Less Than 50% Completed
09-621.7	ARRA FWS/RCI Bodie Hills	Bodie, CA	Less Than 50% Completed
30181RJ088	UISFWS ARRA Thronson 09	Barneveld, WI	Less Than 50% Completed
20181RG005	Bottomland Hardwood Restoration	San Antonio, TX	More than 50% Completed
30181RJ028	Abating the Threat of Invasive Plant Species to Listed and At-Risk Species	Elizabeth, IN	More than 50% Completed
30181RJ055	Tree Removal, Brush Removal, and Invasive Species Control on the Botham Tract	Barneveld, WI	More than 50% Completed
40181RJ002	Raccoon Creek Conservation	Atlanta, GA	More than 50% Completed
13552RJ046	South Willapa Bay Forest Restoration	Naselle, WA	Completed
20181RG002	Restore Native Ecosystems' Function, Neotropical Migrants and Improve Water Quality	San Antonio, TX	Completed
20181RG004	Invasive Species Control in Desert Grasslands and Cienegas	San Antonio, TX	Completed
30181RG001	Big Darby Creek Watershed Restoration in the Ohio River Basin	East Liberty, OH	Completed
40181RJ007	Clinch River and Powell River Watershed Restoration Effort	Sneedville, TN	Completed
65870RC006	Campbell Valley Restoration Design Project	Boulder, CO	Completed
81450RJ512	Chocktoot Delta Restoration Project	Chiloquin, OR	Completed
NE-64850-10-18	FWS ARRA WEA WDY Soeidell	Buffalo County, NE	Completed

Figure 1: List of TNC Recovery Act Projects

## **Observation**

### *Single Audit*

The cognizant agencies for the FY2010 and FY2011 Single Audit reviews were the U.S. Agency for International Development (USAID) and the Department of Defense (DOD), respectively. This surprised the TNC staff, who thought that DOI was the cognizant agency. TNC wanted DOI to be its cognizant agency to remain consistent with the indirect cost submissions that list DOI as the cognizant agency. As a result, DOI agreed to assume TNC's Single Audit cognizance from DOD for FY2011 through FY2015.

## **Findings**

### *Completed Projects*

Of the eight completed projects, six were over budget. While TNC funded the required overages, we are concerned that such action may cloud the true costs and cause FWS to underestimate similar project costs in the future. If TNC cannot fund future cost increases, then project completion could be jeopardized.

Of the eight projects completed, TNC filed SF-425s for only five projects. Of those, the actual costs on four of the projects do not match the amounts claimed. We noted mathematical errors on two of the five forms. In some cases, TNC used indirect rates that were less than the approved indirect rates when calculating costs. This could cause confusion about the actual cost of an individual project.

### *Projects Not Started*

TNC did not start three projects, which totaled \$75,000, as of March 31, 2011. FWS awarded each of these contracts in February 2010. TNC officials indicated that unusually warm winter weather in Minnesota prevented project initiation.

We are concerned that weather and other uncontrollable circumstances may prevent TNC from spending these funds, while FWS has existing projects that could spend the money immediately. FWS program officials stated concerns, however, that general funds might be insufficient to complete the projects if Recovery Act funds were redirected, especially given current budget uncertainties.

### *Current Projects*

Of the eight ongoing projects, three have budget line items that have exceeded 10 percent of the total budget. TNC stated the agreements with FWS did not require reporting of line-item overages. As noted in our completed projects section above, while TNC may fund these unreported overages, FWS may not have an accurate picture of project costs and transparency is diminished.

### *Direct Costs*

We noted two exceptions in our review of direct costs for TNC's Recovery Act grants.

We found one project (#40181-R-J007) in which a landowner invoiced TNC for a total of \$40,730.97. The agreement between the landowner and TNC called for TNC to pay for 34 percent of the cost, amounting to \$13,848.53. TNC paid the landowner \$16,465.07, amounting to 40 percent of the cost. We question the difference of \$2,616.54 as unsupported costs.

For project #40181-R-J007, which ended December 31, 2010, TNC paid \$1,703.50 for a laptop computer on January 26, 2010. The 6-year useful life of the computer exceeds the period of performance of the grant. No other Recovery Act grants recorded expenses for computers. Expenses for computers generally were charged to the indirect cost pool. In order to treat similar expenses consistently, TNC should have charged the laptop to the indirect pool instead of directly to the grant.

### *Indirect Costs*

We noted no exceptions in our review of indirect costs for FY2010 through March 31, 2011.

### **Recommendations**

We recommend that FWS –

1. reevaluate the three projects not started to determine if funds should be redirected to habitat restoration projects that do not depend on weather conditions;
2. review the appropriateness of the \$2,616.54 of unsupported costs and question the \$1,703.50 for computer equipment on project # 40181-R-J007; and
3. ensure that future SF-425s accurately reflect actual project costs.

Please provide a written response to this advisory within 30 days of receipt detailing the corrective actions that FWS will implement to meet our recommendations, as well as targeted completion dates and title(s) of the official(s) responsible for implementation. We will post this advisory on our Web site ([www.doioig.gov/recovery/](http://www.doioig.gov/recovery/)) and [Recovery.gov](http://Recovery.gov). Information contained in this advisory may also be included in our semiannual reports to Congress. We performed our work in accordance with the applicable "Quality Standards for Inspection and Evaluation" adopted by the Council of the Inspectors General on Integrity and Efficiency. Please contact me if you have any questions.

cc: Deputy Secretary, U.S. Department of the Interior  
Director, Office of Executive Secretariat and Regulatory Affairs  
Assistant Secretary, Policy, Management and Budget  
Director, Office of Acquisition and Property Management

Acting Director, Office of Financial Management  
Director, U.S. Fish and Wildlife Service  
Departmental GAO/ OIG Audit Liaison  
Audit Liaison, Office of the Secretary  
Audit Liaison, U.S. Fish and Wildlife Service  
Recovery Coordinator, U.S. Fish and Wildlife Service

# **Report Fraud, Waste, and Mismanagement**



Fraud, waste, and mismanagement in Government concern everyone: Office of Inspector General staff, Departmental employees, and the general public. We actively solicit allegations of any inefficient and wasteful practices, fraud, and mismanagement related to Departmental or Insular Area programs and operations. You can report allegations to us in several ways.



---

<b>By Internet:</b>	<a href="http://www.doioig.gov">www.doioig.gov</a>	
<b>By Phone:</b>	24-Hour Toll Free:	800-424-5081
	Washington Metro Area:	202-208-5300
<b>By Fax:</b>	703-487-5402	
<b>By Mail:</b>	U.S. Department of the Interior Office of Inspector General Mail Stop 4428 MIB 1849 C Street, NW. Washington, DC 20240	